

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL FIVE)

Docket No. RM2021-8

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO QUESTIONS 1-4, 6-8 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**  
(September 24, 2021)

The United States Postal Service hereby provides its responses to the above listed questions of Chairman's Information Request No. 1, issued September 17, 2021. The questions are stated verbatim and followed by the response. Responding to Question 5 requires further investigation, which is ongoing.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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September 24, 2021

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1. Please refer to the Petition. Please refer also to Excel file "FY20 CA Sur Trn Distr Key.xlsx," August 4, 2021 (Canada Surface Transportation Distribution Keys file). The Postal Service states that the "air and surface weights [from the Canada Surface Transportation Distribution Keys file] are used to distribute [System for International Revenue and Volume, Outbound (SIRVO)] weights because there are some differences between SIRVO and [Foreign Post Settlement (FPS)] data." Petition, Proposal Five at 6.
  - a. Please confirm that the FPS data that the Postal Service refers to is included in the Canada Surface Transportation Distribution Keys file. If not confirmed, please explain where the FPS data are included.
  - b. Please describe in detail the differences between SIRVO and FPS data.
  - c. Please describe whether FPS data are census-based or whether they are based on sampling.
  - d. Please compare the accuracy of SIRVO and FPS weights.
  - e. Please refer to Excel file "Outbound Calcs.xlsx," August 4, 2021 (Outbound International Transportation file) and Excel file "Processed Air Transportation Data 2020.xlsm," August 4, 2021 (Processed Air Transportation Data file). Please confirm that the costs per kg for international air transportation, used in the Outbound International Transportation file, are based on weights included in the Processed Air Transportation Data file. Please also confirm that these unit costs are applied to SIRVO weights in the Outbound International Transportation file. If not confirmed, please explain. If confirmed, please refer to question f. below.
  - f. Please explain the accuracy of weight data included in the Processed Air Transportation Data file, and compare it to the accuracy of country-specific FPS and SIRVO weight data.

**RESPONSE:**

- a. Confirmed.
- b. The FPS Canada Surface Transportation Distribution Keys file includes all NSA plus non-NSA mail transportation weights. The Outbound Calcs.xlsx file, on the other hand, processes non-NSA SIRVO data and adds NSA

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weights from the detailed sources that are used to populate the data in the "data" sheet of the ICM Costing Module. As a result, differences can arise. For example, comparing the total air and surface kilograms shown on tab trnadj of the Outbound Calcs.xlsx file at cell Z47 with the total weight from SIRVO plus ICM Costing Module weights at cell R49, the overall difference constitutes 0.5 percent of either total.

Another difference between FPS and SIRVO is that the weights in cell R49, which are from SIRVO plus ICM Costing Module weights, do not distinguish between Canada air versus surface transportation weights, only total combined air and surface mail weights. All of the costs in the transportation accounts must be allocated in order to tie to the Trial Balance costs; therefore, the weights reflected in the SIRVO (non-NSA) plus NSA data sources are adjusted and allocated to air versus surface to allocate total costs.

- c. The FPS weights are census-based.
- d. Both, SIRVO and FPS weights are based upon GBS dispatch data, although differences can exist due to timing. SIRVO data are based upon the outbound international reporting data in the Revenue and Volume Report (RPW). FPS data are based upon the Foreign Postal Settlement (FPS) system used to settle accounts with foreign posts for inward delivery of international flows. Although both systems rely on GBS

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dispatch data, timing differences arise as FPS data continue to be processed and adjusted as part of the settlement process.

- e. Confirmed.
- f. The three systems serve different purposes that can result in different weights depending on the time period, processing requirements, and settlement adjustments. The Processed Air Transportation file reports actual expenses paid by the Postal Service during the fiscal year to air carriers based on the weights transported by the carriers. The FPS data used to develop the Canada surface transportation distribution key reflect the most current dispatch weights, subject to settlement adjustments such as those described in part d of this response. The SIRVO weights reflect the most current weights as of the RPW production date.

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2. Please refer to Excel file "ICM Costing (Unified).xslm," August 4, 2021, tab "ICRA\_UnitCosts\_Pivot." Please refer also to Docket No. ACR2020, Library Reference USPS-FY20-NP2, February 22, 2021, Excel file "ICM Costing (Unified).xslm," tab "ICRA\_UnitCosts\_Pivot." Please confirm that the international transportation costs per pound (found in column F of each referenced file) for Canada (*i.e.*, rate group 1) increase between 1.6 and 5 times for all products other than "EMI" (as products are labeled in column A of each file) between the FY 2020 ACR docket and the instant proposal. If not confirmed, please explain. If confirmed, please refer to questions a. and b. below.
- a. Please explain whether the Postal Service evaluated the impact that the unit international transportation cost increases, referenced above, might have on active outbound international negotiated service agreements (NSAs), for which international transportation costs were projected using the current methodology.
  - b. Please describe in detail how the Postal Service monitors financial performance of outbound international NSAs.

**RESPONSE:**

Confirmed.

- a. Yes, the comparison was provided in Attachment 2 that was included as part of USPS-RM2021-8-NP1 accompanying this proposal.
- b. The Postal Service consistently monitors financial performance of outbound international NSAs. Each quarter, a cross-function international NSA review is conducted by Finance and Global Business. Beginning in FY 2021, the results of that review have been filed with the Commission, in accordance with the request on page 89 of the FY 2020 Annual Compliance Report Determination, as amended by Order No. 5865 (April 13, 2021).

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3. Please refer to the Petition. Please refer also to the Canada Surface Transportation Distribution Keys file. The Postal Service explains that it applied "[t]he International Logistics rules of what was flown and what was trucked to Canada in FY20..." Petition, Proposal Five at 4.
- a. Please confirm that the International Logistics rules the Postal Service refers to are included in the Canada Surface Transportation Distribution Keys file, tab "Percent Surface." If confirmed, please refer to questions b. through d. below. If not confirmed, please explain where the International Logistics rules for outbound surface volume to Canada are included in the instant docket. If none are included, please provide the International Logistics rules that apply to outbound mail to Canada, by mail class and international service center (ISC).
  - b. Please explain whether the International Logistics rules referenced in this question stem from the contractual agreement between the Postal Service and Canada Post Corporation or whether they are solely within the discretion of the Postal Service.<sup>1</sup>
  - c. Please explain whether the International Logistics rules can change and, if so, describe how frequently they change and the reasons that would lead to change in these rules.
  - d. Please explain whether the International Logistics rules are the same during the peak and off-peak periods, or whether they differ. Please also explain whether the peak period(s) for outbound international volume from the United States to Canada generally coincide(s) with the peak period(s) for outbound international volumes from Canada to the United States.

**RESPONSE:**

- a. Confirmed.
- b. The rules stem from the contractual agreement between the Postal Service and Canada Post Corporation.

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<sup>1</sup> For example, if the International Logistics rules require that all mail from an ISC to a plant in Canada is routed via surface, do the rules also require that all mail on the return portion of trip is also routed via surface?

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- c. The International Logistics rules can change using a 90-day notification process if the changes are substantial contractually. There are diverse reasons that would lead to change in these rules, such as operational or contingency needs.
- d. International logistics rules differ during off-peak and peak periods, with incremental planned surface transportation frequency and air to surface diversions. Considering the extreme volatility of the current commercial air market, local ISC Transportation managers continuously work with International Logistics specialists at Postal Headquarters and contacts at Canada Post Contracting to adapt to any capacity air reduction, volume change, or operational constraints and secure surface transportation to move mail.

Yes, the peak period for outbound international volume from the United States to Canada generally coincides with the peak period for outbound international volumes from Canada to the United States.

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4. Please refer to the Outbound International Transportation file, tab "trnadj." Please refer also to the Petition. The Postal Service states that "[a]ccount 53281 is directly allocated to Canada mail categories, and thus no benchmarking is required. Canada air and surface costs are calculated separately." Petition, Proposal Five at 6.
- a. Please confirm that the Postal Service distributed the surface transportation costs from account 53281 (cell E108) to airmail and to International Surface Air Lift mail categories according to total (NSA + non-NSA) surface kilograms (see cells T29:T43 for surface kilograms; see cells AA29:AA43 for surface transportation costs from account 53281 distributed to products). If not confirmed, please explain. If confirmed, please refer to questions b. and c. below.
  - b. Please confirm that the international transportation costs for NSA volumes (cells R107 and R115) include portions of expenses from account 53281. If not confirmed, please explain.
  - c. Please refer to cells H105 (nonISALFac) and H111 (ISALFac). Please provide the formulae used to calculate the values for nonISALFac and ISALFac. Please also explain, in detail, the numerator and the denominator values in each of the provided formulae.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed
- c. The factors in H105 and H111 are not formulas, but scalars used to avoid "circular" Excel calculations. The formulas represent the target costs divided by the benchmarked total transportation costs from column M. The formulas are staged in cells J113 and J114 respectively. In order to estimate these factors, they are first set equal to 1.0 (i.e., the estimated costs are non-benchmarked) in cells H105 and H111. The model is calculated based on these values (using the macro attached to the



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"Refresh Report" button on "Cost Reconciliation w CRA" tab of Reports (Unified.xlsm)), and then the unit costs for NSAs are provided to the ICM Costing Module by pasting as values the calculated costs on the Unit\_Cost\_Staging tab, cells A198 through G3654, into the "Data From ICRA" tab of the ICM Costing Module. The ICM Costing Module calculations are then refreshed using the macro under the "Add-Ins" menu "ICM Costing Menu1," "Refresh Pivot Reports." The values from the ICM Costing Module on the "Data for ICRA" tab, cells D7 through R287 are transferred as values to tab "Pivot5" of Reports (Unified).xlsm at cell Y3. Next, Reports (Unified) is refreshed (Refresh Report button described above) and the calculated costs are in turn transferred to the Outbound International Transportation file on trnadj at cells R108 through R117. When the calculations are refreshed, the staged values in J113 and J114 are pasted as values into H105 and H111, respectively. The model is refreshed based on these values (using the procedures described for the factors equal to 1.0) and the benchmarked values provided to the ICM Costing Module. Pivot5 is updated from the ICM Costing Module and the model is refreshed. This leaves values in cells H105 through H111 avoiding circular calculations but yielding benchmarked cost values to match the Trial Balance international transportation accounts.

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6. Please see Attachment filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-RM2021-8-NP2.

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7. Please see Attachment filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-RM2021-8-NP2.

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- 8.** Please see Attachment filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-RM2021-8-NP2.